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the interests of all were in some way conserved by protection of the few; but the effort to bring all interests under the protective system itself has never taken quite the form in our tariff history that it is taking today.

In the economic development of a country protection of some industries for a longer or shorter period on the ground that their development somehow involves in a peculiar sense the general welfare may be condoned, but the effort to afford protection to all industries for an indefinite period by so adjusting the tariff to foreign costs of production as to place all upon a "competing basis" with the foreign producer is little less than a prostitution of our revenue service.

It may further be observed that the theory, if it could be carried into practice, would consummate an entire suspension of international trade, since it is based upon the idea that the tariff ought to offset all differences in costs, not in some but in all industries. Such a principle clearly carries the policy of protection to an extreme which few would sanction and defeats the purpose of the tariff as a source of revenue.

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WASHINGTON NOTES

THE INCREASE OF FREIGHT RATES

VETOING THE CENSUS BILL

DANGER AT THE TREASURY

THE WALL PAPER DECISION

THE COTTON CONFERENCE

LOANS TO BANK EXAMINERS

In response to a resolution of the House of Representatives adopted January 15 the Interstate Commerce Commission has prepared its first official summary of the notable freight-rate changes occurring since the adoption of the Hepburn amendment to the Act to Regulate Commerce (H. Doc. No. 1412, 60th Cong., 2d sess.). The commission points out that to summarize all rate changes occurring since the time mentioned would imply a comparison of some 150,000,000 rate items with a like number of items previously filed, but it affords data as to the chief changes that have taken place in rates on staple articles. On coal, rates have been advanced 5 cents per ton from the Pennsylvania, Maryland,

and West Virginia fields to Central Freight Association territory and from the Kentucky, Tennessee, and Alabama fields to points in Southeastern Freight Association territory. On pig iron, rates have been advanced 25 cents per ton from furnace points in Southeastern Freight Association territory to points in Central Freight Association and Trunk Line territories. On cast iron pipe, rates have been advanced 25 cents per ton from foundry points in Southeastern Freight Association territory to points in Central Freight Association and Trunk Line territories. On iron and steel articles, rates subject to official classification have been generally advanced by the withdrawal of commodity rates and the application in lieu thereof of higher-class rates. These advances are not uniform to all points affected. On lumber, rates from Chicago and points basing thereon to Trunk Line territory have been generally advanced by withdrawal of commodity rates and the application in lieu thereof of higher-class rates. This advance was not uniform as to all points affected.

Rates from producing points in the Pacific Northwest to all destinations were advanced on November 1, 1907. After full hearing on complaint the commission condemned the advance made from the producing points to points lying west of a line drawn from Pembina, N. D., through Omaha and Kansas City to Port Arthur, Tex. An increase of 5 cents per 100 pounds was permitted to points lying east of that line. On grain products, rates have been advanced 2 cents per 100 pounds from Ohio and Mississippi River crossings to Southeastern Freight Association territory. Rates from northern and western producing points are based upon the Ohio and Mississippi River crossing rates, and therefore this advance resulted in an advance from all that territory.

Rates were advanced 2 cents per 100 pounds from Chicago to New York in May, 1907. The proportional rate applicable from Chicago on shipments from points west of the Mississippi River was reduced $1\frac{1}{2}$ cents per 100 pounds on wheat and corn and $\frac{1}{2}$ cent per 100 pounds on rye, oats, and barley in May, 1908. Rates from the Missouri River to the Mississippi River crossings and to Chicago were increased $1\frac{1}{4}$ cents per 100 pounds in July, 1907. On packing-house products, rates have been advanced 3 cents per 100 pounds from Ohio and Mississippi River crossings to Southeastern Freight Association territory. On sugar, rates have been advanced 2 cents per 100 pounds from New York and New Orleans

and from points in Trunk Line territory and other corresponding alterations have been introduced. All rates to Texas from points east of the Mississippi have been increased by from 4 to 10 cents per 100 pounds. Very great additions to transcontinental rates have been made and by reclassifications and other changes numerous articles have been increased in cost of transportation.¹

President Roosevelt's action in vetoing the census bill passed and sent to him by Congress, in a notable message (House Doc. No. 1420, 60th Cong., 2d sess.), represents a long step toward the collection of better statistics by the United States. Apart from the well-known objection to the "non-competitive examination" of clerks, it is known that the administration has taken very sharp exception to the sections whereby the census was to be practically severed from the Department of Commerce and Labor. The excessive salary allowances provided for were also an object of criticism throughout the whole progress of the measure through the two houses. This was particularly noted owing to the fact that when the census was placed on a permanent basis it was specified that the bureau was to be a fixed establishment with regular compensation for officials and moderate payment for the work done.

All of these factors have contributed to the veto which is regarded by statisticians as one of the best acts of the President's official life. Congress, after a period of restiveness and various threats to pass the bill over the veto, has settled down to the recog-

¹ Central Freight Association territory is that territory lying west of Buffalo and Pittsburgh, north of the Ohio River, and east of Chicago and St. Louis.

Southeastern Freight Association territory is that territory lying south of the Ohio and east of the Mississippi rivers.

Trunk Line territory is that territory lying north of the Ohio River, east of Buffalo and Pittsburgh, and west of the Hudson River.

Transcontinental rates apply between points on the Pacific Coast and points east of the Missouri and Mississippi rivers. Under these rates it is common to blanket a large territory on the east. For example, many of these rates apply alike from or to all points east of Chicago and north of the Ohio River.

Official classification territory includes all the territory east of Chicago and St. Louis and north of the Ohio River.

Southern classification territory includes the territory south and east of the Ohio and Mississippi rivers.

Western classification territory includes all the territory west of the official and southern classification territories.

nized facts in the situation. It is now necessary to develop a census measure during the coming special session of Congress and to secure the assent of the new President to what may be determined upon. The proposal favored by many members is to report precisely the same bill as before and rely upon passing it over Mr. Taft's veto if necessary, hoping of course that the new executive will not be willing to run the risk of such a breach with Congress. More prudent counsels are also heard. The new bill will probably be an improvement, in some particulars at least, over the former measure.

Since January 1 there has been a rapid development of dangerous conditions at the Treasury which has compelled Secretary Cortelyou to make another large call amounting to \$30,000,000 on the depository banks (February 2). This came at a time when the deficit for the fiscal year was about \$80,000,000, deposits in banks about \$90,000,000, and the free cash in the Treasury about \$40,000,000. Some \$4,000,000 or more of previously called funds were still to be paid in. It is thus seen that the new call leaves the department with substantially \$75,000,000 of cash minus such additions to the deficit as occur during the period in which the money is being paid, while the net bank deposits to the credit of the Treasurer of the United States at the end of the operation should be in the neighborhood of \$55,000,000. The object of the operation has been twofold. A new secretary of the treasury unfamiliar with the routine of the office should be relieved of undue anxiety, so far as possible, and it has been the object of the outgoing head of the department to leave matters in a strong current condition. The time has been favorable to the withdrawal of the funds from the banks, owing to easy money and high reserves. The second reason for the operation is the alarming conditions which have existed in the "general fund" of the department. During January the national bank notes on hand rose to about \$35,000,000, the force at the department being inadequate to keep them in a state of transit back to the banks with which they originated. At the same time silver and silver certificates largely increased, while gold and gold certificates fell off, sinking at one time to only about \$45,000,000 as against some \$83,000,000 at the beginning of January. With such conditions the Secretary of the Treasury has been forced to contemplate the possibility of having to issue

bonds to get gold that he might keep the reserve fund of \$150,000,000 at its fixed level, the only resource in ordinary times being that of transferring greenbacks presented for redemption to the general fund and replacing the amount taken for redemption from the reserve fund with gold from the general fund. In paying the deposits called for by the Treasury the banks have turned in a miscellaneous mass of currency and have included considerable quantities of gold funds. This has tided over the difficulty for the time being, but the danger is still present in the background and will become pressing whenever the department is unable to call upon the banks for relief. The present rate of growth of the deficit represents an estimated shortage of some \$125,000,000 for a full fiscal year.

In handing down a decision adverse to the so-called "wall paper trust" in the case of *Continental Wall Paper Co. vs. The Louis Voight & Sons Co.* (No. 15, October term, 1908, February 1, 1909) the Supreme Court of the United States has made further progress in the rigid application of the Sherman anti-trust law. The case in question arose from a refusal on the part of the defendants to pay a debt of \$56,762 incurred to the Continental Wall Paper Co. for goods sold to the Louis Voight & Sons Co., a corporation of Ohio. As a defense against the Continental Co. the defendant argued that the plaintiff is a corporation illegally organized in defiance of the Sherman anti-trust law and submitted evidence and copies of agreements between the Continental and other wall paper manufacturing concerns intended to show that competition in the trade had been suppressed and a system established whereby purchasers were compelled to pay unreasonable and excessive prices for their supplies. The decision of the court is presented by Justice Harlan and takes the view that the combination shown by the defendants to exist is unquestionably within the prohibitions of the act of Congress. This then leaves the problem whether a debt incurred to such a combination can be collected, the concern which sells the goods being organized in defiance of the law. This is a question which has already been practically ruled upon by the Court in *Conolly vs. Union Sewer Pipe Co.* In that case, Conolly, a citizen of Illinois, disputed his liability to the Sewer Pipe Co. on the ground that the company, at the time it sold him his goods, was engaged in an illegal combi-

nation with other concerns. Here the court held that "there was no necessary legal connection between the sale of the pipe to the defendants by the plaintiff corporation and the alleged arrangement made by it with other corporations, companies, and firms. . . . That combination may have been illegal and yet the sale to the defendants . . . valid." In the present case it is held that the wall paper sales made by the Continental Co. fall under a different rule of law and need not be paid for by the defendants owing to the fact that they were based upon agreements in which the latter was compelled to incur undertakings that were in defiance of existing law and practically made it a party to plans of the trust under which the Sherman anti-trust law was violated. Because the contract for the sale and purchase of the goods was in fact part of an illegal scheme, it is held, the court will not aid in enforcing such a contract. In a dissenting opinion Justices Holmes, Brewer, White, and Peckham concur in taking the view that the decision of the majority tends to overthrow the view taken in the Conolly case and violates the principle that "the policy of not furthering the purposes of the trust is less important than the policy of preventing people from getting other people's property for nothing when they purport to be buying it."

A substantial service has been rendered by the Department of Agriculture in convening during the first three days of February a conference for the standardization of cotton. This conference consisted of a body of men prominent in the cotton trade of the United States and a committee of three expert cotton classifiers. The classifiers did the work of selecting the grades under the direction and approval of the general committee representing the trade. As guides the Bureau of Plant Industry had gathered one of the most complete collections of cotton standards that has been brought together, the standards of all the chief cotton exchanges of the world being made available. At the close of the conference it was reported to the Secretary of Agriculture that nine grades had been determined upon and recommended to him for adoption as the official cotton standards of the United States. Accurate description of these standards is impossible but they are a close approximation to the Liverpool standard with the exception that the latter consists of eleven grades. The highest and lowest of these are omitted in the official classification recommended. The

expectation that these standards will be adopted as a basis of trading will, if realized, result in the abolition of the unjust and complicated cotton contracts now prevalent on our exchanges and will revolutionize the system of cotton buying and selling.

Comptroller of the Currency Lawrence O. Murray has taken possibly the most important step yet adopted by the comptroller's office for the improvement of the national bank examination system. He has carried on an elaborate inquiry into the extent to which bank examiners are in the habit of becoming either stockholders or borrowers at national banks and has uncovered an alarming state of affairs. It appears that among the seventy-five examiners now in the employ of the bureau, there were loans from national banks amounting to a large sum, while many of the examiners were stockholders and in some instances officers of the banks. As a result of the inquiry an order has been issued forbidding any of the examiners to become a stockholder or a borrower at any national bank. Within the past thirty days the whole examining force has been brought into conformity with his order and the staff is now undoubtedly upon a better basis of honesty and efficiency than at any time in the past. Loans to national bank examiners will be considered a misdemeanor in the future and will result in the expulsion from the service of the examiner receiving them. The abuse is an old one which has interfered with the acquisition of accurate knowledge about the condition of the banks and with obtaining accurate statistics for many years past.